

**Presentation of Thomas A. Ferguson**

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Before the House Financial Services Committee

Subcommittee on Domestic and International Monetary Policy, Trade and  
Technology

**To be submitted for the record**

April 28, 2004

Mr. Chairman and Members of the Subcommittee:

Thank you for holding this hearing and inviting me to testify. I appreciate the opportunity to report on the Bureau of Engraving and Printing's (BEP) role in the Nation's counterfeit deterrence program.

The security of United States currency was enhanced last fall with the introduction of redesigned \$20 Federal Reserve Notes, which include subtle background colors. This marked the culmination of a multi-year, cross-agency effort that included unprecedented outreach and collaboration with industry stakeholders to develop a new design. The new design is aimed at deterring threats to the security of the Nation's currency posed by technology advances in digital printing and reproduction technology. Counterfeit deterrence efforts continue as we prepare for the introduction of a redesigned \$50 note

later this year, followed by a redesigned \$100 note and potentially a new \$10 note in subsequent years. At this time, no decisions have been made concerning changes to the \$5 note and no changes are planned to the \$1 and \$2 notes. These efforts are coordinated and led by the Advanced Counterfeit Deterrence (ACD) Steering Committee, chaired by the Treasury Under-Secretary for Domestic Finance, Brian Roseboro, with the participation of other Treasury policy officials, and representatives from the Federal Reserve, U.S. Secret Service and BEP.

In order to provide the public with the most secure and reliable notes, the ACD Steering Committee has developed and follows a comprehensive counterfeit strategy that depends on:

- 1) high quality currency designs with effective overt and covert counterfeit deterrence features
- 2) a well planned and executed public education program, and
- 3) aggressive law enforcement.

Fortunately, the U.S. has one of the finest law enforcement agencies in the world to aid in its fight against counterfeiters, the U.S. Secret Service. They will testify here today about their efforts in greater detail. I will focus my comments on the currency redesign effort and the associated public education program.

The redesigned series 2004 \$20 note contains an array of sophisticated counterfeit deterrent security features, some of which are visible and easily recognizable to the public (i.e., the subtle background color, the symbol of freedom eagle, the watermark, security thread, color shifting ink) and some of which are covert or machine readable only. The “signature” covert feature of the redesigned \$20 note is an anti-digital counterfeiting system that was developed under the auspices of the international Central Bank Counterfeit Deterrence Group in cooperation with major digital printer and software manufacturers. The U.S. effort on this initiative was led by the Federal Reserve. The anti-digital system, which is being used in a number of countries, relies on a hidden “marker” embedded in the note design that can be read or detected by new technology digital printers and software. This new systemic design feature heralds a vibrant and growing partnership between the public and private sector to protect the Nation’s currency, and is intended to thwart increased counterfeiting of currency using digital reprographic technology. This is a significant investment in the future of currency and will greatly assist in preventing counterfeiting as the anti-digital technology becomes dominant in the marketplace.

To date, more than 1.2 billion of the new \$20 notes have been issued into circulation since their introduction last fall which represents about 25% of the twenties currently in circulation. The introduction of the \$20 note was relatively problem free. BEP worked with currency processing equipment manufacturers for more than a year before

introduction to ensure a successful transition to using the redesigned notes in person-to-machine transactions.

On April 26<sup>th</sup>, Secretary of the Treasury John Snow unveiled the new design \$50 note which will be issued into circulation starting in the fall of this year. I have samples of the redesigned note with me today to show you. The new \$50 note contains the same family of robust counterfeit deterrent features as the \$20 note. However, the background color will be different to help the public differentiate the various denominations. As with the introduction of the \$20 note, BEP is working with currency processing equipment manufacturers as well as the vending community to ensure a smooth transition to the redesigned \$50 note by providing industry with test notes at least six months in advance of circulation.

For the redesigned \$100 note, the ACD Steering Committee has directed the BEP to issue a solicitation to the private sector seeking additional counterfeit deterrent features that may be added to the \$100 note to further protect it. The \$100 note, which is the most circulated U.S. note internationally, is subject to the most sophisticated counterfeiting attempts. These possible new features will be subject to adversarial analysis by an interagency working group to determine which feature(s) will be most effective against international counterfeiting threats while providing a durable currency.

## **Public Education**

The Public Education Program is a critical element of the overall anti-counterfeiting effort in the United States as well as around the world. The American dollar is the most recognized, trusted, and accepted currency in the world. While the new features render the notes more secure, the success of government anti-counterfeiting efforts depend foremost on the public and cash-handlers as the first line of defense. To defend against accepting counterfeit notes, the public must be aware of the potential counterfeiting threat and, most importantly, they must know how to authenticate their notes.

Results from research conducted before and after the Series 1996 currency introduction established the basis for the strategies followed in the Series 2004 Public Education Program. Research performed concerning the redesigned currency provided an understanding of consumer beliefs and attitudes regarding currency, counterfeiting issues and the best means of communicating to the public.

The media strategy was planned to concentrate the greatest share of paid media dollars in the visual medium that people spend the most time with: television. Research conducted one month following the fall 2003 paid media program revealed that public awareness of impending currency changes went from 30% to over 80%, and that the public's ability to describe one of the counterfeit features increased by over 10%.

It is the responsibility of the government to provide the public with the information required to protect themselves from fraud or economic loss associated with counterfeiting. The public education program was designed to provide this information to the public and maintain the integrity of the dollar, both at home and abroad. The better informed the public is, the less likely they are to fall victim to currency counterfeiters. It is our responsibility as stewards of the U.S. currency system to protect the public, by enhancing the security of our currency through redesigning it, and by informing the public on how to protect their hard-earned money.

With the release of the redesigned \$50 note, the Public Education Program will continue; however, due in part to the overall success of getting the message out during the \$20 program, it will be conducted on a much smaller scale than the initial campaign and will consist of no paid media in the U.S. The messages will mainly focus on changes to the \$50 and lay the groundwork for subsequent changes in future note designs.

This concludes my opening remarks, Mr. Chairman, and I will be happy to respond to any questions you or other members of the Subcommittee may wish to ask.